

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Township of Wakeshma</b>	County <b>Kalamazoo</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>7/14/04</b>	Date Accountant Report Submitted to State: <b>9/7/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Siegfried Crandall PC</b>			
Street Address <b>246 East Kilgore Road</b>		City <b>Kalamazoo</b>	State <b>MI</b>
		ZIP <b>49002-5599</b>	
Accountant Signature 		Date <b>9/7/04</b>	

*Township of Wakeshma*  
*Kalamazoo County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended March 31, 2004*

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## INDEPENDENT AUDITORS' REPORT

**Township Board  
Township of Wakeshma, Michigan**

We have audited the accompanying general purpose financial statements of the Township of Wakeshma, Michigan, as of March 31, 2004, and for the year then ended, as listed in the contents. These general purpose financial statements are the responsibility of the Township of Wakeshma's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Wakeshma, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund financial statements, as listed in the contents, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Wakeshma, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Siegfried Crandall P.C.*

July 14, 2004

## **GENERAL PURPOSE FINANCIAL STATEMENTS**

**Township of Wakeshma****COMBINED BALANCE SHEET - all fund types and account groups**

March 31, 2004

	<u>Governmental fund type General</u>	<u>Fiduciary fund type Trust and Agency</u>	<u>Account group General fixed assets</u>	<u>Totals (memorandum only)</u>
<b>ASSETS</b>				
Cash	\$ 48,382	\$ 241	\$ -	\$ 48,623
Receivable				
Taxes	2,091	-	-	2,091
Accounts	632	-	-	632
Due from other funds	241	-	-	241
Due from other governmental units	12,843	-	-	12,843
Fixed assets	<u>-</u>	<u>-</u>	<u>90,334</u>	<u>90,334</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 64,189</b></u>	<u><b>\$ 241</b></u>	<u><b>\$ 90,334</b></u>	<u><b>\$ 154,764</b></u>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES:</b>				
Deferred revenue	\$ 2,086	\$ -	\$ -	\$ 2,086
Due to others	<u>-</u>	<u>241</u>	<u>-</u>	<u>241</u>
<b>Total liabilities</b>	<u><b>2,086</b></u>	<u><b>241</b></u>	<u><b>-</b></u>	<u><b>2,327</b></u>
<b>FUND EQUITY:</b>				
Investment in general fixed assets	-	-	90,334	90,334
Unreserved fund balance	<u>62,103</u>	<u>-</u>	<u>-</u>	<u>62,103</u>
<b>Total fund equity</b>	<u><b>62,103</b></u>	<u><b>-</b></u>	<u><b>90,334</b></u>	<u><b>152,437</b></u>
<b>TOTAL LIABILITIES AND     FUND EQUITY</b>	<u><b>\$ 64,189</b></u>	<u><b>\$ 241</b></u>	<u><b>\$ 90,334</b></u>	<u><b>\$ 154,764</b></u>

See notes to financial statements

**Township of Wakeshma****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN****FUND BALANCE - BUDGET AND ACTUAL - General Fund**

Year ended March 31, 2004

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	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES:			
Taxes	\$ 44,350	\$ 49,032	\$ 4,682
State grants	112,000	95,375	(16,625)
Charges for services	1,200	4,145	2,945
Fines and forfeitures	-	2,525	2,525
Interest and rentals	3,800	3,676	(124)
Other	525	1,539	1,014
	<u>161,875</u>	<u>156,292</u>	<u>(5,583)</u>
Total revenues			
EXPENDITURES:			
Legislative	1,120	640	480
General government	67,761	65,485	2,276
Public safety	17,500	16,646	854
Public works	70,536	76,871	(6,335)
Community and economic development	1,000	720	280
Capital outlay	9,694	-	9,694
	<u>167,611</u>	<u>160,362</u>	<u>7,249</u>
Total expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,736)	(4,070)	1,666
FUND BALANCE - BEGINNING OF YEAR	<u>66,173</u>	<u>66,173</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 60,437</u>	<u>\$ 62,103</u>	<u>\$ 1,666</u>

See notes to financial statements

***Township of Wakeshma***  
**NOTES TO FINANCIAL STATEMENTS**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Wakeshma, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

*a) Reporting entity:*

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements represent the Township or primary government. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Township has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Township's financial statements.

*b) Basis of presentation:*

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for in, individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The financial activities of the Township are recorded in the separate funds and account group, categorized, and described as follows:

*i) Governmental fund:*

General Fund - this fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions, grant, and other intergovernmental revenue.

*ii) Fiduciary fund:*

Trust and agency fund - this fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

*iii) Account group:*

General fixed assets account group - this account group presents the fixed assets of the Township utilized in its general operations (nonproprietary fixed assets).



***Township of Wakeshma***  
**NOTES TO FINANCIAL STATEMENTS (*Continued*)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*):

*c) Basis of accounting:*

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements.

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

*d) Budgets and budgetary accounting:*

The Township follows the procedures in establishing the budgetary data reflected in the financial statements in accordance with the Uniform Budgeting and Accounting Act (Act No. 621, Public Acts of 1978), as prescribed by the State of Michigan.

The budget for the General Fund is adopted at the line-item level and is consistent with generally accepted accounting principles.

*e) Fixed assets:*

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

This account group is not a fund. It is concerned only with the measurement of financial position and is not involved with measurement of results of operations.

*f) Property tax revenue recognition:*

Property tax revenue is recognized in the year for which taxes have been levied and become available. Property taxes are levied December 1 based upon property values assessed as of December 31 of the prior year. The billings are due on February 14 (or 75 days after levy date), at which time the bill becomes delinquent and penalties and interest may be assessed by the Township. The Township recognizes taxes levied December 1 as revenue of the current year as such revenues are considered available to liquidate liabilities of the current year.

**Township of Wakeshma**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*g) Totals (memorandum only):*

The total column on the combined statements is captioned "memorandum only" to indicate that it is prepared only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation as interfund eliminations have not been made.

NOTE 2 - CASH:

At March 31, 2004, cash included deposits with financial institutions with a carrying amount of \$48,618 and a bank balance of \$56,231. The bank balance is covered by federal depository insurance.

NOTE 3 - CHANGES IN GENERAL FIXED ASSETS:

A summary of changes in general fixed assets follows:

	<i>Balance April 1, 2003</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance March 31, 2004</i>
Land improvements and buildings	\$87,786	\$ -	\$ -	\$87,786
Equipment	<u>2,548</u>	<u>-</u>	<u>-</u>	<u>2,548</u>
	<u>\$90,334</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$90,334</u>

NOTE 4 - CLAIMS ARISING FROM RISKS OF LOSS:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

***Township of Wakeshma***  
**NOTES TO FINANCIAL STATEMENTS (*Continued*)**

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**NOTE 5 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS:**

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2004, the Township incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated, as follows:

The following schedule sets forth significant budget variations.

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Line item</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	Other	Legal Servies	\$2,500	\$4,296	\$1,796
General	Public works					
	Drain assessment		Drain assessment	5,949	12,472	6,523

**NOTE 6 - CONTINGENCY:**

A corporation has appealed the assessed values assigned to various properties it owns within the Township. The case is currently before the Michigan Tax Tribunal. The Township has chosen to contest the appeal and is likely to incur significant legal fees in the process of defending the assessed values in the tribunal. The outcome of the case has not been determined.

## **INDIVIDUAL FUND FINANCIAL STATEMENTS**

**Township of Wakeshma****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - General Fund***Year ended March 31, 2004*

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	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES:			
Taxes:			
Property taxes	\$ 32,000	\$ 37,025	\$ 5,025
Tax collection fees	<u>12,350</u>	<u>12,007</u>	<u>(343)</u>
Total taxes	<u>44,350</u>	<u>49,032</u>	<u>4,682</u>
State grants	<u>112,000</u>	<u>95,375</u>	<u>(16,625)</u>
Charges for services:			
Cemetery	700	2,300	1,600
Other	<u>500</u>	<u>1,845</u>	<u>1,345</u>
Total charges for service	<u>1,200</u>	<u>4,145</u>	<u>2,945</u>
Fines and forfeitures	<u>-</u>	<u>2,525</u>	<u>2,525</u>
Interest and rentals	<u>3,800</u>	<u>3,676</u>	<u>(124)</u>
Miscellaneous	<u>525</u>	<u>1,539</u>	<u>1,014</u>
Total revenues	<u>161,875</u>	<u>156,292</u>	<u>(5,583)</u>
EXPENDITURES:			
Legislative:			
Township board	<u>1,120</u>	<u>640</u>	<u>480</u>
General government:			
Supervisor	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Elections	<u>2,106</u>	<u>320</u>	<u>1,786</u>
Assessor	<u>9,100</u>	<u>9,900</u>	<u>(800)</u>
Clerk	<u>8,000</u>	<u>7,602</u>	<u>398</u>
Board of review	<u>800</u>	<u>800</u>	<u>-</u>

**Township of Wakeshma****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - General Fund (Continued)**

Year ended March 31, 2004

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	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued):			
General government (continued):			
Treasurer	\$ 7,400	\$ 7,028	\$ 372
Building and grounds:			
Wages	400	472	(72)
Maintenance	1,600	1,721	(121)
Utilities	4,050	2,177	1,873
Total building and grounds	6,050	4,370	1,680
Cemetery:			
Wages	700	700	-
Maintenance	300	222	78
Contracted services	6,755	6,755	-
Baird Cemetery	600	600	-
Total cemetery	8,355	8,277	78
Other general government:			
Payroll taxes	2,500	2,462	38
Office supplies and postage	2,900	3,042	(142)
Technology	1,400	1,327	73
Audit services	2,800	2,800	-
Legal services	2,500	4,296	(1,796)
Community betterment	1,400	1,032	368
Printing and publishing	300	133	167
Insurance and bonds	5,500	5,597	(97)
Dues and fees	850	854	(4)
Education funds	300	225	75
Miscellaneous	1,500	1,420	80
Total other general government	21,950	23,188	(1,238)
Total general government	67,761	65,485	2,276

**Township of Wakeshma****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - General Fund (Continued)**

Year ended March 31, 2004

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	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued):			
Public safety:			
Fire protection	\$ 17,000	\$ 16,646	\$ 354
Inspections	<u>500</u>	<u>-</u>	<u>500</u>
Total public safety	<u>17,500</u>	<u>16,646</u>	<u>854</u>
Public works:			
Highways and streets	54,987	54,987	-
Drain assessment	5,949	12,472	(6,523)
Street lighting	3,000	2,859	141
Sanitation	<u>6,600</u>	<u>6,553</u>	<u>47</u>
Total public works	<u>70,536</u>	<u>76,871</u>	<u>(6,335)</u>
Community and economic development			
Planning and zoning	<u>1,000</u>	<u>720</u>	<u>280</u>
Capital outlay	<u>9,694</u>	<u>-</u>	<u>9,694</u>
Total expenditures	<u>167,611</u>	<u>160,362</u>	<u>7,249</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,736)	(4,070)	1,666
FUND BALANCE - BEGINNING OF YEAR	<u>66,173</u>	<u>66,173</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 60,437</u>	<u>\$ 62,103</u>	<u>\$ 1,666</u>

***Township of Wakeshma***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES ·**

***all agency funds***

*Year ended March 31, 2004*

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	<i>Balance April 1, 2003</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance March 31, 2004</i>
TAX COLLECTION FUND				
ASSETS				
Cash	<u>\$ 496</u>	<u>\$ 1,003,143</u>	<u>\$ 1,003,398</u>	<u>\$ 241</u>
LIABILITIES				
Due to other governmental units	\$ -	\$ 958,768	\$ 958,768	\$ -
Due to other funds	496	43,719	43,974	241
Due to others	<u>-</u>	<u>656</u>	<u>656</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 496</u>	<u>\$ 1,003,143</u>	<u>\$ 1,003,398</u>	<u>\$ 241</u>